FTC tries salvaging food ad rule

WASHINGTON—In a final exchange of memos, the Federal Trade Commission's "old guard" staff collided with Reagan-era FTC consumer protection chief Tim Muris in a last-ditch effort to save the remains of their industrywide food ad rule.

The memos were made public last week in advance of a crucial commission meeting this Tuesday. Even the FTC ad regulation staffers writing in favor of the food ad regulation concede in their memo that "it is a close question as to whether this rule should be issued." And Mr. Muris, who earlier urged the rule making be scrapped (AA, June 14), was unmoved by the junior staff's final arguments.

He contends FTC has insufficient "hard" evidence that consumers are "injured" by energy and diet claims, that consumers actually misinterpret fat and cholesterol claims, that any "meaningful" definition for "natural" depends on the context of individual ads and that they are more likely to be harmed than helped if FTC discourages advertising from alluding to the diet/heart disease hypothesis.

FTC staff attorneys Melvin H. Orlans and Robert Cheek called Mr. Muris' demand for hard evidence "unduly stringent and inflexible" and said the proposed rule "should be viewed as our best possible effort to devise a reasonable and efficient solution to a number of difficult and pervasive problems which have plagued food advertising for years, and will undoubtedly continue to do so absent commission intervention."

The proposals before FTC are a drastically pruned-down version of a sweeping reform plan for food ads dating back to 1974. Major planks were jettisoned under the Michael Pertschuk administration, and further skepticism has emerged under Reagan era leadership since the current version was tentatively approved by FTC two years ago.

The proposal would regulate three general areas of food ad claims: Energy and diet claims; "natural" claims, and claims promoting a food's fat/cholesterol content or the "diet/health" hypothesis. The rule would limit the "natural" designation to foods that contain no artificial ingredients and are "minimally processed."#

BBDO stock soars; 2-for-1 split asked

By CHRISTY MARSHALL

NEW YORK—With Chrysler Corp.'s Dodge account restored to its client roster, BBDO International has seen its stock soar. Now it will see it split.

Last Aug. 24, BBDO stock was selling for $45.50 a share. Last Wednesday, it was up to $62.25.

Although the Dodge announcement wasn't issued until late October, for weeks it was considered a foregone conclusion (AA, Nov. 1).

BBDO directors voted to recommend an increase in the number of shares the corporation is authorized to issue, from 4.5 million to 10 million shares, and, if shareholders agree, split outstanding stock two-for-one in the form of a 100% stock dividend, payable to shareholders of record on Jan. 24. A special shareholders meeting to vote on the matter has been called for Jan. 19.

The board also announced plans to increase the quarterly dividend to 45¢ per share on post-split shares (equivalent to 90¢ per share on pre-split shares) effective with the April dividend. The quarterly dividend payable on Jan. 7 will be 85¢ per (pre-split) share.

Bruce Crawford, BBDO president, said the split should make the market price more attractive "and help broaden the ownership base."

"BBDO [stock] is a fabulous performer," said Steve Slawson, analyst at Bear, Sterns & Co., adding that he was pleased to see the board announce a dividend increase at the same time. According to his crystal ball, BBDO's earnings per share for 1982 will be $5.25, rising to $6.20 per share in 1983.#

ONE STANDS OUT.
Offer your clients the gift of a great market.
Give them Milwaukee in one neat package.
It's a package that really stands out.
Milwaukee offers something for everyone on your list. Like $1.5 billion in food sales, and almost $1 billion in automotive sales. Milwaukeeans spend $347 million to furnish their homes, and nearly $750 million to go out and eat, drink and be merry.
Best of all, one buy fits all. With The Milwaukee Journal/Milwaukee Sentinel your client can reach up to 85% of the Milwaukee market. How's that for one stop shopping?
This year, give Milwaukee. All in one neat package.
The package that really stands out.
Milwaukee and its newspapers.
We stand out.
The Milwaukee Journal
Milwaukee Sentinel
Member: Million Market Newspapers, Inc., and Metropolitan Sunday Newspapers, Inc., Participant in Newsplan
Source: Three Sigma, 1980 and Sales & Marketing Management Survey of Buying Power, 1982.

Pink Panther branching out

TOLEDO—Come spring, the Pink Panther may be bounding about the commercial tv airwaves more often.

Owens-Corning Fiberglas, which has been featuring the character in its home insulation campaigns for several years, is now winding up a test of Pink Panther tv spots for its Fiberglas shingle line.

The company started testing the campaign last April in Boston, St. Louis, Hartford and Columbia, Mo., and is considering expanding the effort next year, according to Joseph Doherty, vp-marketing communications. The test spots from Ogilvy & Mather, New York, also used the Inspector Clousseau character for the first time.

In early 1983, Owens-Corning will promote its residential suspended ceiling line with the Pink Panther in another test, Mr. Doherty said. "The character has been successful for us, so we decided to experiment with these extensions," he added.#

K mart tries Designer Depot

ST. CLAIR SHORES, MICH.—Designer Depot, an off-price name brand apparel store, has been opened by K mart here (AA, Nov. 1). The Troy, Mich.-based retailer converted an old Kresge store for the test store. More Designer Depots will open near major metropolitan areas during 1983.

corrections & clarifications

- The correct January through November, 1981, linage figure for *Science Digest* is 397.6 pages. The correct November, 1981, figure for *Cruising World* is 101.7 pages. The correct January through November, 1982, figure for *Redbook* is 973.6 pages (AA, Nov. 22, P. 37).
- Robert Rodale is chairman of Rodale Press. He was misidentified earlier (AA, Nov. 26, P. M-30).
- Hoegh Lines, Oslo, which named Keith R. Thomas & Co., San Francisco, for trans-Pacific containerized cargo advertising (AA, Nov. 29, P. 61), uses Sawdon & Bess, New York, for East Coast and Southeast Asia service ads.

Thinking big, thinking internationally

Transnational planning takes the spotlight at center stage

By Herbert Zeltner

For most of us who work in American marketing and advertising, international activity has been intriguing and glamorous. It has also been pretty much on the periphery.

Transnational planning, creative and media work have usually been areas a select few have dealt with—those expatriates or long-distance commuters whose offshore concerns are segregated from our own more mundane domestic chores.

But a lot is happening now to the speed with which national boundaries are being broken down in matters of trade, selling and the placement of creative appeals around the globe.

In a recent report, the Conference Board noted that fully 79% of all manufacturing jobs created in the U.S. between 1977 and 1980 were linked to exports. The board also said that 250 American manufacturing companies accounted for more than $500 billion in foreign sales in 1980 alone.

For the advertising world, the implications have been profound. *Financial World* magazine noted that advertising activity outside the U.S. had risen to 50% of a total of $110 billion in 1980 from 43% of a $35 billion total in 1970. Further, trade estimates suggest that by the end of this decade, total worldwide advertising will reach $300 billion, and by 1990 fully 54% will originate outside the U.S.

Import/Export : Part I

American business overseas

Expected future trend in percentage of sales from foreign markets for American companies (in order of frequency of mention)

Increasing

- Travel/tourism/hospitality
- Entertainment (motion pictures, etc.)
- Soft drinks
- Cosmetics, personal care products
- Proprietary drugs
- Branded consumer foods
- Calculators and personal computers
- Cigars and cigarets
- Wine and beer
- Sporting goods
- Laundry soaps and cleaners

Holding/decreasing

- Consumer audio/video
- Clothes and shoes
- Passenger cars/trucks

Source: Sounding Board survey, 1982

There's no denying that these dramatic trends are linked to some big changes in the advertising agency community. Consider the following:

- Young & Rubicam and Dentsu announce a merger of their Tokyo-based activities. They also agree to enter into joint ventures elsewhere in the world.
- Ted Bates buys a substantial minority interest in the fifth largest agency in Mexico.
- Saatchi & Saatchi, London, and Compton Advertising, New York, close a deal creating a new international agency with billings well in excess of $1.3 billion.

This is of growing interest to many executives throughout the advertising business. Thus, our current poll of the Advertising Age Editorial Sounding Board deals with transnational ownership of agencies, the impact of rapid "offshore" growth on American advertising and the ways in which our own practices may change as the balance shifts.

We asked this leadership group of key marketing and advertising executives at companies, large, medium and small, across the U.S. as well as agency management throughout the country where they stand in regard to some of these international issues. Among key matters where we probed for reactions and attitudes:

1. What trends are likely in both the direction and momentum of international trade, over-all and by sector, during the next several years?
2. What degree of autonomy should individual, single-nation agencies have in matters of creative strategy and execution to presumably maximize the effectiveness of selling efforts for their "foreign" clients?
3. How tight should control of marketing strategies and advertising execution be from headquarters to balance strong central direction with local creative vitality?
4. Are there important social and economic issues that need to be addressed as foreign ownership of major American advertising agencies increases (not to mention the more traditional pattern of American interests buying into foreign agencies)?

The responses we received demonstrate the tendency of American business to segregate international assignments, at least at the operating level. A significant number of Sounding Board members wrote to tell us they felt unqualified to answer questions in this area—they are, they said, simply not involved in "international."

"The most common misconception . . . is that creative strategy can be exported."
—James Schaefer

But more than 80 leaders in our business did answer—most of them with extensive comments and elaborations.

If any one word could describe the flavor of just about all the reactions we received, it is ambivalence. On the one hand, the overwhelming majority of Sounding Board responses acknowledged that we're finally headed toward a "one big world" economy that is bound to emphasize the importance of international selling and advertising in the years ahead. Yet, on the other hand, the responses suggest some hedging; some members wonder whether a wholesale drive for global marketing leadership by U.S. companies is really in the cards.

Much of this equivocation points to inconsistencies in preparing for long-run opportunities while dealing with some extraordinary short-run difficulties.

Looking toward the end of this decade, the great majority of respondents, from both companies and ad agencies, are quite bullish about the ability of Americans to sell aggressively throughout the world (and to support that effort with effective advertising emanating from the U.S.). But quite a few also caution that we're going through a period of intense difficulty and stress because of currency exchange headaches, increasing trade restrictions, pervasive and persistent worldwide recession and intensifying sales pressure from other regions. The majority of our panel believes that we'll have to be more alert to growing aggressiveness and skill from overseas—in advertising and in manufacturing—to try to maintain a leadership edge.

Yet, despite wide awareness of an increasing tide of foreign ownership of American enterprises—part of this tide now includes ad agencies as well—the agency executives don't seem to feel threatened. The attitude seems to be one of "they haven't landed yet"; the agency community isn't quite manning the barricades. At least, that's the reading right now.

Obviously, agency ownership of overseas facilities is lagging behind the internationalization of their own clients' business. If these agency executives' views can be taken at face value, we should see a great deal of agency merging, buying and branching across national boundaries over the next several years.

In short, the Sounding Board most emphatically accepts "internationalism" as a way of life for our business in the years ahead.

But this view is notably tempered by a "wait and see" attitude on the most effective way to adapt to a global village approach to marketing and advertising.

Now to the responses to some of the specific questions we posed:

1. *What will be the trend for U.S. companies in percentage of sales, over-all, contributed by foreign markets during the balance of the 1980s?*

A strong majority, 74% of the panel, agrees that foreign sales will increase in importance for U.S. companies through the decade.

The agency group of executives is even more inclined toward this view, with 84% expecting an increase in company sales from overseas interests.

Members of the Sounding Board point to several widespread factors serving to increase the proportion of foreign sales volume. Among them are more evident opportunities for business growth overseas and the maintenance of U.S. superiority in many categories of goods and services, particularly those involving high technology and fashion.

Adding impetus to this view is the improving economic vitality of many newer, developing markets around the world, coupled with the realization that many large companies will simply have to look overseas for their opportunities for further large-scale volume gains.

But there are some negative forces at work. Several Sounding Board members point out as drawbacks the dislocations of currency exchange risks and rapidly growing trade protectionism in the U.S. and elsewhere.

Says F. Beavin Ennis of Ennis Associates, Armonk, N.Y.: "The U.S. is still the master of information management, communication and industrial technology, which the whole world needs more of. Few countries can match our research and development facilities for developing new products."

"New markets are emerging for most consumer products, even with mature countries," adds Arthur E. Earley, chairman and chief executive officer of Meldrum & Fewsmith, Cleveland. "China, Africa, South America, the Far East all offer developing potential. The condition of the dollar will have an impact on how much of this increase [we realize]."

Import/Export : Part II

Foreign business in the U.S.

Expected future trend in percentage of U.S sales for foreign companies (in order of frequency of mention)

Increasing

- Travel/tourism/hospitality
- Consumer audio/video
- Clothes and shoes
- Calculators and personal computers
- Branded consumer foods
- Wine and beer
- Cosmetics
- Sporting goods
- Passenger cars/trucks
- Entertainment

Holding/decreasing

- Proprietary drugs
- Cigars and cigarets
- Laundry soaps and cleaners
- Soft drinks

Source: Sounding Board survey, 1982

James Adler, president and managing director of Compton International, believes that the major multinationals will continue to push aggressively for growth. Their opportunities, he says, "are greater in absolute terms outside the U.S. than they are here. Also, companies not exporting will begin looking outside the U.S. as competition continues to tighten."

On the other hand, John F. Campbell, vp-public relations with Colt Industries, New York, sees some clouds on the horizon.

"I believe the increase will be modest as U.S. goods face increasing nationalism on the one hand, and on the other, increasing competition in terms of quality, price, design, technological innovation," he says.

Al Ries, chairman of Trout & Ries Advertising, New York, points to a further complication—the ability of government actions and policies to affect moves in this

Herbert Zeltner is chairman of the Advertising Age Sounding Board.

Sounding Board

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area. "In general, I think that political, not marketing considerations will have the most impact in international trade," he says. "If the U.S. passes restrictive trade legislation, other countries will retaliate."

When the question turned to expected growth rates of foreign sales for categories of goods, the panel sees a significantly dispersed pattern.

Presuming strong sales gains for American-made goods where fashion and advanced technology are involved, entertainment (motion pictures), soft drinks and personal care items all rank high among categories that will increase at a strong rate in foreign volume through the 1980s.

Not too surprisingly, travel, tourism and hospitality led the list in expected growth in international sales.

At the other end of the scale, in categories expected to hold at current levels or even decrease, are those troubled by already evident competitive inroads from abroad: Consumer audio/video products, clothing (including footwear) and, of course, automotive. Some respondents point out that the relatively high cost of American labor, as opposed to manpower costs overseas, affects this country's efforts adversely.

2. *What about the reverse? What do you feel will be the over-all trend in the 9% of sales that foreign companies will enjoy by selling their products and services in the U.S. in the next several years?*

When we turn to the other side of the coin—sales of foreign manufacturers and services in the U.S.—the panel is less emphatic on the growth of transnational business. Here, a lesser majority, approximately 60%, see an over-all increase of imports into the U.S. through the 1980s. A total of 27% believe that the current level

"The nuances are critical. You have to know who you are trying to sell."
—Joseph Hoffman

of import activity will hold about the same. Presumably, the major inroads in U.S. share of market made by overseas producers may well slow down in the next few years.

Again, looking at this by category, we see travel, tourism and hospitality leading the list in expected increase of "import" activity. Following closely behind, in the view of the panel, are consumer audio/video products (the reverse of the view for U.S. exports), clothing and shoes and calculators and personal computers—this time for the mass market, as opposed to state-of-the-art technology advances at the upper end.

The panel believes that important reasons for continued foreign aggressiveness and share gains include perceived superiority in quality and design, lower cost production and a lack of effective U.S. competition in some newer consumer sectors (new home video forms, for instance).

In addition, the panel believes that the improvement in marketing skills and willingness to invest in exports among foreign interests will mean more sales in the U.S. through the decade, despite a recessionary economy, high dollar costs and a reawakened American marketing conscientiousness. The U.S., after all, is the largest single consumer market in the world for just about everything.

3. *How significant is the extent of your own organization's involvement in marketing activities outside the U.S. (whether through an affiliate, subsidiary or the present company)?*

When queried about their organization's state of international development, 61% of the advertiser respondents say their companies are significantly involved in overseas sales. In fact, these sales account for more than 20% of total revenue of their companies. A total of 13% indicate a high degree of foreign sales but at a somewhat lower level, above 10% of total revenue. This means that just less than three-quarters of all client representatives who responded to our poll are already experiencing significant offshore sales activity.

Further underscoring this internationalization of American business is the expectation by just about half the panel that their companies' proportion of transnational activity will be increasing even more over the next seven or eight years.

When agency management was asked about its involvement internationally, only a quarter of them say their own organizations are already significantly involved overseas—"significance" being defined as non-U.S. business accounting for more than 20% of total revenues. In contrast, 62% term their organizations' involvement in other countries as minimal (9% or less) or nonexistent.

What these figures suggest is that the client has apparently moved beyond the borders of the U.S. much earlier and more aggressively than have their agencies. But two-thirds of the agency executives responding to our poll expect their transnational activity to increase significantly through the balance of this decade.

As far as clients are concerned, those who see a great deal of further growth from overseas point to a range of new market opportunities and an increasing confidence of success in the international arena.

As the senior vp-marketing of a major leisure and recreation marketer says, "We have great new opportunities in Mexico, Latin America and the Far East, as well as

"We [in the U.S.] are still the creators and leaders in this type of business."
—Richard Lawrence

expansion of an already strong European base."

On the less optimistic side, several advertiser company executives point to economic nationalism, as well as political and foreign exchange difficulties, as inhibiting the rate of further good growth in export. Typical is Colt Industries' John Campbell, who says: "The technology advantage that characterized the aggressive move overseas in the '50s and '60s is no longer present. There is growing nationalism overseas, particularly in Europe, particularly in France. Production capacity in the U.S., particularly in the basic industries, is shrinking sharply."

Many agencies anticipating major growth from overseas sources in the years ahead, respond in a variety of ways. Says C. James Schaefer, president of the DR Group, New York: "In 1982 we reopened our London office after many years because of increasing client urging for a direct response presence abroad."

4. *Turning to transnational advertising, what do you feel is the most effective way to handle campaigns for American products in foreign markets?*

To help the panel answer this question, we offered them four choices from which to select an optimum technique:

- Develop a domestic U.S. campaign that can be used almost anywhere with minimal change (i.e. language translation).
- Develop a basic U.S. creative strategy that can usually be used outside the U.S., but execution must be adopted locally for style, vernacular and custom.
- Develop all aspects of creative work from "scratch" in individual countries for maximum local effectiveness.
- Develop a strategy that depends on specific circumstances of the creative approach or product category involved.

Four out of ten members of the Sounding Board believe that the second choice, local adaptation of a basic U.S. creative strategy, would be the best approach. This proportion held equally both for the client and agency groups.

But the two sides depart noticeably over the other options. Twenty-nine per cent of the clients believe that creative work should be developed from the very beginning in individual countries. Only 19% of the agency executives agree. Interestingly, only two respondents in the entire panel believe that the U.S. campaign, translated locally, was the best way to go.

For many on both sides, the issue raised by this question consumes countless hours of heated discussion. Thus, it's no surprise that it triggered quite a few comments.

The senior vp-marketing of a multinational toy and game marketer, supporting the view that an American creative strategy should form the base of a plan and be adapted elsewhere, says: "Allowing for too much local control led to a fractionalization of product image, and positioning became a particular problem in Europe. Hence, our need was to have a single, worldwide creative strategy with local executions allowed. Also, much tv and print from one country winds up being distributed in another. This will be even more so with satellite tv gaining popularity throughout Europe."

Says William Biggs, president of William R. Biggs/Gilmore Associates, Kalamazoo, Mich.: "Too many overseas potential customers read U.S. publications. You must have *one* basic message worldwide with local adaptations."

In a different camp are those executives who believe that creative work doesn't travel well across national boundaries. Mr. Schaefer of the DR Group says: "The single most common misconception of new U.S. international marketers is that creative strategy can be exported. It seldom can, and the more complex it is, the less likely it will travel well."

Adds S. Joseph Hoffman, president of Ingalls Associates, Boston: "The nuances are critical. You have to know who you are trying to sell."

Still another point of view is the one that suggests that no one technique is always best. An exponent of that view is Reid Taube, assistant vp with U.S. Fidelity & Guaranty, Baltimore, who says, "It is possible to export U.S. campaigns, but my experience is that you probably sacrifice a lot in effectiveness in the process. My recommendation is to challenge the local agency to improve on the U.S. campaign .... If they can, you are way ahead. If they cannot, then you can move ahead with full confidence."

John O'Toole, chairman of Foote, Cone & Belding, New York, says: "It depends totally on the product and the marketing objectives. For cosmetics, liquor, etc., the strategy, idea and execution could remain the same in certain countries. Frequently, the idea must be changed while strategy is retained. Almost always the details of execution must be adapted to the local culture."

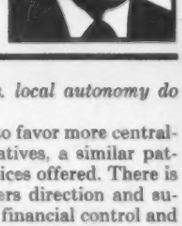
We then asked the panel whether there had been any recent changes in the way their own organizations operate. If any trend comes through here, it's a shift toward centralizing strategy and concept work wherever the client or coordinating agency has its headquarters. But the business of adaptation and execution still appears to be broadly dispersed among individual countries.

On the one hand, the Sounding Board members generally believe that centralization improves efficiency and control. On the other, they don't want to lose the vitality and effectiveness of fresh thinking and the local vernacular best gained by local operation of agencies.

In the final analysis, the panelists believe that the approach employed either already does or eventually will reflect the client's own structure and preference. And, ultimately, this decision will evolve from the client's experience and philosophy.

5. *There are different schools of thought about the most effective handling of the various components of the advertising process in transnational marketing. What*

"Marketers and agencies have incentive for centralized direction."
—Arthur Early



degree of headquarters control vs. local autonomy do you feel is best for each?

Although the client group tends to favor more centralization than the agency representatives, a similar pattern emerges for both from the choices offered. There is a strong preference for headquarters direction and supervision in matters of budget and financial control and hammering out campaign strategy. More than 80% of the entire panel believes headquarters must give the marching orders in these areas.

But preferences shift markedly toward local autonomy and follow-through when we get to the implementation and data-gathering chores in advertising. These include creative execution, materials production, marketing and advertising research, media planning and buying, publicity, promotion and merchandising.

The single component about which the panel is somewhat equivocal is the matter of developing creative concepts. Here the panel split, with almost 40% preferring dispersed local organization of creative ideas and 60% believing headquarters should impose the basic creative direction worldwide.

Several panel members point out that there may not be a single clear-cut "best" way, that variations in the campaign, the nature of the selling effort and even the organization structure and working habits of the client all enter the picture.

Says Mr. Taube of USF&G Insurance: "Flexibility is crucial. If you have top-notch local management and a first-class agency, then you probably need to stay out of their way. But in some less developed nations, marketing savvy and crack agencies may be nonexistent, in

(Continued on Page M-50)

Thinking big

(Continued from Page M-5)

which case you will want more headquarters control. in all cases, however, you need a graphic standards manual."

Mauri Edwards, vp-communications and creative services with Foster Grant, New York, takes the view that there are good arguments for strong control and local autonomy, but that compromise may be best. "Generally I'm not impressed with the notion of one-stop international shopping in advertising," he says. "The main reason is that local needs should and sometimes must predominate. It is a fact, of course, that not every area of the world is equally developed in advertising, and sometimes it becomes necessary to send advertising in from elsewhere. This is never desirable but sometimes the only way out. The result tends to have a somewhat patronizing aspect to it.

"On the other side of the coin, local advertising folk play the game, too. It is constantly argued that only an insider can do the job since knowing the turf is half the battle. There is obviously something to this argument but not nearly as much, I feel, as the locals make of it."

6. *Regardless of the current situation, do you believe that transnational advertising activity will become more centralized or more localized in the future?*

The panel was split on this question, with 30% seeing more centralized headquarters direction and control and 30% expecting a trend toward more autonomy in individual markets. The rest of the respondents see no particular trend either way, pointing out that individual circumstances will continue to direct a specific method of handling.

There is a dichotomy, however, when the views of the two sides are compared. The client group was a bit more emphatic in believing centralization is the direction in which we're heading; agency executives see the move toward localization as more likely.

Several reasons for expecting that centralization will become more common are well summarized by Arthur Earley of Meldrum & Fewsmith:

"Both marketers and agencies have a strong incentive toward more centralized direction and control worldwide. Cost containment and profitability on both parts are mandatory. Realistically, local autonomy is a strong disincentive to consistent strategies and to cost control. With the absorption of stronger independent local agencies by large multinational agencies, centralized direction and control worldwide becomes attainable."

The opposing belief focuses on the need to take advantage of the vitality and "hometown" know-how of indigenous creative talent.

7. *Recent trade headlines report news of agency mergers and acquisitions across national boundaries. What are your own feelings about this phenomenon of national agencies under common, transnational ownership?*

The reason for asking this question, aside from the greater frequency of transnational agency mergers and acquisitions today, was to see if the panel had any strong feelings either way about agency ownership crossing national borders.

A little less than half the panel (46%) sees it as a worthwhile development because it seems a way of assuring greater professional resources and better client coordination possibilities worldwide. If anything, client executives are more favorably disposed, with 54% of them agreeing.

But almost half the panel sees little or no significance, favorable or unfavorable, in the development as far as individual clients are concerned. Those who felt this way agree with the point that "companies will continue to pick local agencies or multinationals, whichever facility they prefer to work with."

Only about one in 20 of our respondents sees transnational ownership of advertising agencies as a negative development—something that could damage the vitality and creative contribution of smaller, local agencies. But the agency management segment of the Sounding Board shows a bit more concern than the client group.

Pursuing the matter a bit further, we referred to the highly publicized purchase by Saatchi & Saatchi, London, of Compton Advertising in New York. If transnational ownership of agencies was viewed as favorable or neutral, would this point of view hold even when it was overseas interests buying into the American market?

A bit less than one-third of the panel believes this type of development was a good thing, while six out of ten see no particular significance to it. Here again, as in the case of transnational ownership patterns regardless of direction, less than 10% see the move in a negative light.

Mr. Schaefer of the DR Group points out that the Saatchi & Saatchi/Compton development may simply be symptomatic of a larger economic trend. "Recent foreign ownership moves are part of inflow of foreign money to many industries due to high U.S. return on capital and dollar strength, largely resulting from high U.S. interest rates and moderating U.S. inflation relative to foreign economies," he says. "It has little to do with the advertising agency business *per se*."

Pointing out the other side, that potentially there are some negatives involved, is Richard Lawrence, president of Marketing Directions, Newport Beach. Cal.: "I personally don't like it where the markets are American. I think we know best what our markets require. We are still the creators and leaders of this type of business."

Bevin Ennis has another reason behind foreign agency purchases in the U.S. market: "Sophistication of the U.S. market really requires knowledgable U.S. managers operating virtually autonomously. The biggest advantage to foreign ownership is that the foreign agency can pick up U.S. accounts overseas."

Once again, though, the bottom line, as far as the Sounding Board is concerned, must take into account the matter of satisfying the client community. William Weilbacher, head of Bismark Consulting in New York, says it well:

"The basis of the advertising agency business is a satisfied client. Ownership of agencies must and will [evolve] in such a way as to satisfy clients."

8. *Over the last two decades, there has been increasing comment about the professional marketing skills and creative strengths in advertising centers outside the U.S. Based upon your own general impression or actual experience, how strong do you believe these major markets are in the various components of the advertising business?*

Many leaders in American marketing and advertising have pointed out the great strides being made in creative excellence outside the U.S. The point is underscored by poor American showings in recent worldwide advertising awards events. Our question was designed to get at how widely held this view is and whether it extends to other functions beyond creative and to other regions of the world.

Probably the most interesting point that comes through is not that the U.S. ad business has been left in the dust creatively, but that other markets are pulling even. Interestingly, a good number of our respondents point to rapid creative gains in Japan. But that country's standing still is not quite up to the degree of sophistication noted in the U.S., England and much of Western Europe.

The rationale offered by the Sounding Board for this changing standing centers on the observation that the advertising environment overseas is much less cluttered than in the U.S.—advertising there doesn't have to fight as hard to sell.

When we move beyond creative matters—to other aspects of the business, including marketing strategy, media planning and placement and advertising and marketing research—the panel generally believes there is still a demonstrable American pre-eminence. Individual panelists point out that overseas advertising is making important strides in these other disciplines, but that we still enjoy a higher level of expertise. The huge size of the American business and its much longer heritage as an established craft seem to account for this perceived leadership.

Because the momentum is with the "foreign" markets today, many panelists believe that the historically wide margin of American superiority will shrink noticeably over the next few years.

Says Jerry Keller, senior vp-director of the travel and trade division with Dailey & Associates, San Francisco: "British creative is exceptionally good. When one looks at Clio winners, they are frequently better than what you see in U.S."

Mr. Earley of Meldrum & Fewsmith says: "Marketing strategy and all the components that are a part of the process are probably more highly developed in the U.S. than elsewhere. Visual selling is a more highly refined art in certain European contries than in the U.S. Using entertainment and humor in selling messages is perhaps more highly developed in the United Kingdom."

Moving from the specifics of creativity and execution, we asked the Sounding Board to think about the entire matter of international marketing and advertising. How do the members feel about the role of advertising in multinational trade and the contribution it can make to national economics? Are gains in this arena inevitable? On balance, is it a good thing for American business? Individually, how might we take advantage of developments here? What lessons might we learn?

By an overwhelming majority, our respondents believe that the years ahead will see major growth in transnational marketing and advertising. They point out that selling in a global marketplace may well be one of the few ways left for mature American industries to build major new sales volume and revenue. They point to similarities in consumer needs and wants around the world, that homogenization of aspirations and taste is inevitable in a world of jet travel, satellite communication and increasing education. They believe that this, coupled with the expectation that consumer economics in all regions will soon move upward, is a powerful force for good for all business, both U.S. and foreign.

Joseph Hogan, president of J.P. Hogan & Co., Knoxville, Tenn., sums up the view by saying this:

"Human wants and needs are universal. They differ only in their degree of development. Pride, pleasure, profit, comfort, security and fear are international hot buttons. The language on the *labels* may vary—but the reactions do not."

But taking advantage of the mammoth opportunities offered in multinational marketing won't be easy or automatic, according to the executives.

The arrogance and provincialism that may have characterized American marketers and advertising people in the past, when they overwhelmingly dominated the business throughout the world, may be less and less appropriate.

Still, these thought leaders also point out that when we enter the world of multinational commerce there are many other forces at work—power complications in economics and politics helping to shape our moves. This larger frame of reference is noted by James Adler of Compton International in his comment that more international marketing and advertising is inevitable and good.

"We believe in free trade—or should—and transnational marketing is part and parcel of free trade," he says. "We can take advantage by fighting trade restrictions imposed by other countries and by our own government and by pushing for greater efforts by our government to stimulate exports."

And yet, as is mentioned by quite a few, there is much that American marketers and advertising professionals can be proud of as we move rapidly into a truly worldwide marketplace. After all, the U.S. advertising business has led the way for quite a while now.

FCB's John O'Toole wraps it up neatly by viewing what we know and do in advertising and marketing as an exportable skill in its own right.

"Marketing and advertising expertise is one of our most successful exports," he says. "Thus far, unlike automobiles and steel and electronics, American companies and advertising agencies have maintained leadership at home and abroad."

Hands across the sea...or at home

Preferred means of handling various international advertising activities
Percentages of respondents selecting approach as 'best'

	Headquarters handles planning and execution	Headquarters directs strategy; execution handled locally	Minimum headquarters involvement; maximum local autonomy
Budgeting and financial control	46%	38%	15%
Over-all campaign strategy	35	46	18
Creative concepts	25	34	39
Creative execution	12	25	61
Media planning	11	36	53
Media buying	11	17	72
Marketing research	10	43	46
Broadcast and print production	9	26	65
Advertising research (copy testing)	9	38	53
Publicity	6	31	61
Promotion/merchandising	5	36	56

Source: Sounding Board survey, 1982